

Proposal for Retirement Plan Legislation
(for the 2007 Legislative Session)

RETURN TO: Dave Bohyer, Research Director

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http://www.leg.mt.gov/css/committees/interim/2005_2006/st_admin_vet_affairs/default.asp

PROPOSER'S NAME/TITLE: Teachers' Retirement System, David Senn, Executive Director

ORGANIZATION: TEACHERS' RETIREMENT SYSTEM

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1. What is the problem or issue?

- a. The Teachers' Retirement System is not actuarially funded because of the 2000 – 2002 Market correction.

2. What do you want the legislation to do?

- a. Increase employer contributions required to fund the TRS and/or appropriate any additional fund balance to fund the increased employer cost.
- b. Eliminate the statutory minimum rate of interest that may be credited by the Board
Given market declines of the past few years, this rate should be set by the Board using a prudent standard related to market return. It is not reasonable to credit 4.0% interest, if the system is losing money, or making less than 4.0%.
- c. Increase the Montana university system optional retirement program supplemental contribution rate as required by §19-20-621, MCA, to ensure the University System's past service liability that existed when the Optional Retirement Program was created is fully amortized by July 1, 2033
- d. Clarify legislative intent regarding return to work provisions
A clear statement from the legislature is needed to clarify what should and what should not be included in a post-retirement employment contract. Once clearly stated, the actuarial assumptions can be adjusted, if necessary, to reflect the expected cost of the return to work provisions.

e. Codify the benefits and funding policy of the State to provide equitable benefits that are actuarially funded.

3. If possible, please list the MCA (Montana Code Annotated) sections that would need to be amended.

19-20-101, 19-20-102, 19-20-501, 19-20-605, 19-20-621, 19-20-731, 19-21-214, and 20-3-324

4. Which retirement plan or plans would be covered by the legislation? (If the proposal is limited to certain plans, please indicate why.)

Proposal limited to funding the Teachers' Retirement System.

5. If the proposed change requires additional funding, what funding sources do you propose (e.g., an increase in employer contributions, employee contributions, or both)?

Employer contribution rate increase, liability reduction, and State general fund

6. Has similar legislation been requested in the past, been introduced in another state, or provided as a model act? If so, please provide a citation, reference, or point of contact.

See SAVA committee bill draft LC2005-4

7. If you are a holdover senator or a legislative candidate running unopposed, do you want the Legislative Services Division staff to consider this a bill draft request?